



Monarch Investments Limited 1977



56th Annual Report To Our Shareholders

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INVESTMENTS
LIMITED



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INTERIM
REPORT
TO
SHAREHOLDERS
FOR SIX MONTHS ENDED
JUNE 30, 1977

a wide price range from \$57,000 to \$100,000. The condominium division completed its Cloverfields development but was unable to start its new project, Place on the Park, until relatively late in the year. Marketing of this project will not

This small subdivision was purchased early in 1977 and will consist of 60 lots. Our planning has proceeded quickly on the project and we anticipate commencing construction of moderately priced homes in the near future.

MONARCH INVESTMENTS LIMITED,

HERON'S HILL,

2025 SHEPPARD AVENUE EAST,

WILLOWDALE, ONTARIO,

M2J 1V7

491-7440 AREA CODE 416

TO OUR SHAREHOLDERS

The results for the half year ended June 30, 1977, indicate a slight decrease in profits before tax from \$1,923,000 to \$1,839,000 and in profits after tax from \$972,000 to \$925,000. Gross operating revenue increased from \$10,650,000 to \$11,384,000.

Housing

Whilst the first quarter of the year showed remarkable strength considering the economic conditions in the country, the second quarter showed a more moderate trend. Our total sales are up in the year to date but the second half of the year looks as though it is going to be somewhat slower. Unfortunately, interest rates have not declined any further and a variety of factors are making potential purchasers hesitant to make large commitments. We have decided to close the Beacon West sub-division in Montreal which was catering to the English market almost exclusively. Houses are now readily available on the West side of Montreal well below the costs at which it is economic to build new ones. Our earnings should not be materially affected by the problems associated with Quebec. We have recently acquired a group of lots in the Bridlewood sub-division in Scarborough where we will be commencing construction in the Fall and we have also acquired another small sub-division in Kitchener which should be off the ground soon. Our London sub-division, where we have recently opened a new model home display, is showing improved results. The Sarasota division in Florida had a slow start but sales are now improving as we adjust our product mix.

Rental Properties

Vacancies in our apartments continue to be low, as is the case with most of our rental properties. There are some vacancies at Terminal Towers in Hamilton which we are working hard to rectify. The sales in our shopping centres are showing a small increase over last year, but they are suffering from the same malady that affects much of the retail market.

Industrial

The industrial market is showing signs of a resurgence from the depression of the last year. We have negotiated a 21,000 sq. ft. warehouse for a subsidiary of a U.S. Corporation which will be ready in the Fall of the year and we have also commenced construction on a 44,000 sq. ft. multiple occupancy business complex in Scarborough. Our marketing on the latter property is now underway, in spite of the strike of electricians which is effecting its completion. In common with many other industries, the construction industry is having difficulty in finding an adequate volume of work at profitable levels. Consumers are extremely cautious and it is only by a combination of good marketing and a good quality product at the right price that sales can be achieved.

The Directors decided at their July meeting to increase the Dividend on a quarterly basis from 2-1/2¢ per share to 3-1/2¢ per share.

C. J. PARSONS

President

August 8, 1977

56th Annual Report To Our Shareholders

We are pleased to present to

MONARCH INVESTMENTS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

Six Months Ended June 30, 1977
(with comparative figures for 1976)

Unaudited	1977 (\$000's)	1976 (\$000's)
Gross operating revenue	\$11,384	\$10,650
Net earnings before the undernoted items:	\$ 2,893	\$ 3,018
Interest	833	879
Depreciation	221	216
Net earnings before income taxes and minority interest	\$ 1,839	\$ 1,923
Income taxes	882	923
Net earnings before minority interest	\$ 957	\$ 1,000
Minority interest	32	28
Net earnings	\$ 925	\$ 972
Net earnings per share	44¢	46¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Six Months Ended June 30, 1977
(with comparative figures for 1976)

Unaudited	1977	1976
Funds provided:		
From Operations:		
Net earnings	\$ 925	\$ 972
Add items not affecting funds		
Depreciation	221	216
Minority interest in earnings of subsidiary	32	28
Funds provided from operations	\$ 1,178	\$ 1,216
Land and development costs realized through sales	1,842	1,765
Net change in other assets and liabilities	214	46
Total funds provided	\$ 3,234	\$ 3,027
Funds used:		
Repayment of long-term debt	\$ 985	\$ 981
Expenditures in investment properties	401	42
Investment in land held for and under development	1,528	1,216
Increase in construction in progress	328	316
Decrease in mortgage advances on construction in progress	529	924
Decrease in accounts payable	877	2,102
Decrease in income taxes payable	475	2,348
Increase in accounts receivable	1,122	967
Increase in mortgages receivable	11	371
Dividends paid	106	106
	\$ 6,362	\$ 9,373
Increase (decrease) in Funds	\$ (3,128)	\$ (6,346)
Represented by:		
Funds:		
Cash less bank indebtedness at beginning of period	\$ (661)	\$ 1,681
at end of period	(3,789)	(4,665)
	\$ (3,128)	\$ (6,346)
Funds provided from operations per share	55¢	57¢

commence until the Spring of 1978. Our condominium homes are superior to the average product in quality and sell for approximately \$63,000.

Bridlewood

During the year our Heron's Hill division acquired 41 single family lots in this good quality single family development in Scarborough. The development is going well and we anticipate completing the project in mid-1978. These houses are being sold for approximately \$86,000 each. We have recently acquired more lots in order to extend our program.

Dundas

The draft plan of the next phase of Spring Creek Valley is currently under consideration by the Municipality and we are hoping that we shall be able to negotiate a subdivision agreement later this year and commence construction subject, of course, to satisfactory market conditions prevailing.

Unionville

The development of this project is now coming close to reality, although it has been delayed a little during the year. It is anticipated we will receive permission to proceed with the first phase of approximately 350 lots in mid-1978. We have been able to increase the yield on the balance of the land which will follow at a later stage. Care is being taken to assist the Municipality in preserving the architectural and cultural heritage of the area.

Kitchener/Waterloo

Beechwood North

The Beechwood North development of luxury homes had its best year to date and we have been endeavouring to reduce the size and price of our homes in order to obtain a larger share of the market. Our current prices range from \$77,000 to \$86,000.

Highland West

We have made relatively good progress during the year with the processing of the Highland West lands and there is a good chance that we will be servicing in late 1978. The road alignment of Fischer Road, which was giving us difficulty, has been resolved. The first stage of this project of 350 lots will produce some very handsome heavily wooded home sites, which should provide a good start to the development.

Highland East

This small subdivision was purchased early in 1977 and will consist of 60 lots. Our planning has proceeded quickly on the project and we anticipate commencing construction of moderately priced homes in the near future.

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MONARCH INVESTMENTS LIMITED,

HERON'S HILL,

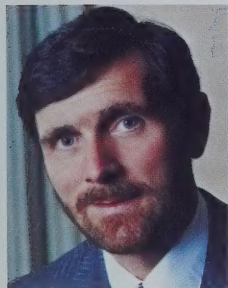
2025 SHEPPARD AVENUE EAST,

WILLOWDALE, ONTARIO,

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56th Annual Report To Our Shareholders



We are pleased to present to you the annual results for the year ended December 31, 1977 and audited financial statements reported on by Peat, Marwick, Mitchell & Co. These include a Consolidated Balance Sheet, Consolidated Statement of Earnings and Retained Earnings and Consolidated Statement of Changes in Financial Position.

Financial Statements

The earnings before depreciation, income tax and minority interest for 1977 amount to \$5,171,000, which is a small increase over the comparative figures for 1976 of \$5,039,000. After depreciation, the corresponding figures of earnings before taxes are \$4,711,000 and \$4,604,000. The net earnings for the year, after taxes and deduction of the minority interest, amount to \$2,403,000, as compared with \$2,501,000 in 1976. There is a small increase in the charge for income taxes due to increased taxes of Monarch Property Developments Limited, which company owns the Terminal Towers project in Hamilton, Ontario. Turnover increased to \$27,589,000 from \$22,166,000, principally as a result of increased house sales. Total assets increased to \$69,319,000.

As of February 1, 1978 warrants to subscribe for common shares of the company were exercised in respect of 105,200 shares. In connection with the exercise of these warrants, we commissioned professional appraisers to evaluate the land and investment properties of the company as of September 30th, 1977. The appraisal showed a surplus in excess of book value of \$57,787,000. If the assets were realised at the appraised amounts, the appraised surplus after tax would have been \$36,811,000. The appraisal surplus is in addition to the Shareholders' Equity of \$21,461,000 at December 31, 1977, referred to in the enclosed audited financial statements.

HOUSING PROJECTS

Scarborough

Chartwell

The housing market has become increasingly competitive since the first half of 1977, and adversely affected sales in Chartwell later in the year. Both Chartwell Homes and Heron's Hill Homes did well considering market conditions and they combined to give us a satisfactory total production at this subdivision in which we cover a wide price range from \$57,000 to \$100,000. The condominium division completed its Cloverfields development but was unable to start its new project, Place on the Park, until relatively late in the year. Marketing of this project will not

commence until the Spring of 1978. Our condominium homes are superior to the average product in quality and sell for approximately \$63,000.

Bridlewood

During the year our Heron's Hill division acquired 41 single family lots in this good quality single family development in Scarborough. The development is going well and we anticipate completing the project in mid-1978. These houses are being sold for approximately \$86,000 each. We have recently acquired more lots in order to extend our program.

Dundas

The draft plan of the next phase of Spring Creek Valley is currently under consideration by the Municipality and we are hoping that we shall be able to negotiate a subdivision agreement later this year and commence construction subject, of course, to satisfactory market conditions prevailing.

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Doon

The community plan of this 450 acre joint venture has now been put into circulation by the Municipality. We have been extremely careful with environmental concerns as the development of this land has to be treated sensitively. We have also maintained close liaison with residents in the area and we believe that these lands should now come under development within the next few years.

St. Catharines

Further delay has been experienced on our St. Catharines lands due to continuing discussion on the designation of urban boundaries. However, the market in this area is not very strong at present.

Burlington

We have continued discussions during the year with the Municipality concerning the possible development of our residential lands and we have been unable to obtain any commitment from the Municipality when development is likely to be allowed to proceed. We believe, however, that the Municipality is not as firm as it was a few years ago on restricting urban growth and we are pressing for an early commencement of the planning process.

London

Westminster Park

Sales in Westminster Park during the year improved over 1976 but the market has been extremely competitive. We produced our new line of Jubilee model homes in late 1977 and they have had good public reception. Most of our houses are being marketed in the \$55,000 area.

Maylard Estates

We have been able to expedite the planning process on the Maylard Estates project and now anticipate that this will be coming into production in the current year. It is in a relatively well-located mid-town district and we anticipate that it will meet with a good reception from the market for moderate priced housing. Our present plan provides for approximately 300 lots.

Oakridge Meadows

Again we have suffered some delay on Oakridge Meadows due to the resolution of requirements of the Ministry of the Environment. The delay has not been serious, however, and we are hopeful that the development will come on stream next year.

Montreal, Quebec

As a result of the declining economic fortunes in the Province of Quebec and the deteriorating political situation, we have closed our Beaconsfield sub-division and have rented the remaining houses we had in stock. This is unfortunate as it is an extremely

handsome sub-division, adjoining Beaconsfield Golf Course, and in normal conditions would have been a very successful project. In Vaudreuil we have opened our model homes but due to the problems in the Province, the response has been disappointing. There is an excessive supply of housing in all price ranges on the west side of the Island, as well as additional competition from home owners who are prepared to sell their own houses at lower than current reproduction costs. For the time being we are continuing construction in Vaudreuil on a strictly controlled basis.

Sarasota, Florida

Our models in Sarasota were opened early in the year but sales have been slower than we expected. The sub-division is in its very early stages but there is an increasing number of builders who are buying lots in the project. In view of this increasing market activity, we decided during the year to acquire a further number of lots as we believe they have good long term potential for growth. Using the experience we have gained in The Meadows at Sarasota, we are looking at a number of propositions for the possible acquisition of further land in the United States. We are impressed that the Municipal restrictions on development in the United States are less onerous than they are in Canada and that it takes a much shorter period of time to bring lots to the market. These characteristics do, however, tend to increase the supply of serviced lots and thereby restrict the profitability of land development.

RENTAL PROJECTS

Eglinton Square Shopping Centre, Scarborough

Sales have continued to grow at this shopping centre although certain types of store revealed consistent weakness throughout the year. A number of changes took place in tenant mix which have combined to improve the overall balance of the Centre.

Kipling Heights Shopping Centre, Etobicoke

This centre is completely leased, except for a minor area. The growth in sales volume was less than we would have liked due to other shopping centres in the area.

Chartwell Shopping Centre, Agincourt

This shopping centre is doing well, in spite of increased competition in the vicinity. There are no vacancies and we are giving consideration to extending the centre on the adjoining vacant land.

42-48 Charles Street East, Toronto

This project is fully leased and continues to show a good return.

Heron's Hill, Willowdale

Again, there are no vacancies to be reported at this project, although there have been a number of



1. Majorca, 2,120 square feet, \$80,500. The Meadows, Sarasota, Florida.
2. Award winning entrance to The Meadows.
3. Majorca enclosed pool (included).



tenant changes during the year. The traffic problem in the area, due to increasing residential and commercial development, is a cause of concern to us and the Municipality has suggested certain changes which we are considering carefully.

Apartments

The apartments are continuing with low vacancies as rental control has obviously curtailed the supply of new rental apartments coming to the marketplace throughout Ontario.

Terminal Towers, Hamilton

The office tower had a relatively large amount of vacant space earlier in the year, which has subsequently been reduced. The stores are showing reasonable growth in sales volume and the Holiday Inn Hotel has continued to increase business. The apartments have shown a high rate of occupancy. We are in the course of substantially renovating certain parts of the project, in order to maintain its competitive position.

INDUSTRIAL DEVELOPMENT

Scarborough

The level of industrial activity increased during the year and there were many more enquiries than we have had for some period of time. In particular we are again getting enquiries from subsidiaries of U.S. companies which at one time formed a very high proportion of our business volume in Ontario. We built and leased a 23,000 square foot plant to Fritzsche, Dodge & Olcott Canada Limited, a Canadian subsidiary of an American company, which produces food flavourings and colourings. We also built a 45,000 square foot multi-occupancy industrial

building with a relatively high office content. The project, which is called Huntingwood Business Complex, is now partly leased and is receiving a great deal of interest from potential tenants. It is a quality project set in a handsomely landscaped setting adjacent to a residential area.

Burlington

Our Burlington Industrial Park has been delayed due to some difficulty being experienced in routing a trunk sewer to our lands. We now believe that these difficulties are being resolved and we are hopeful of signing a sub-division agreement this year to enable development to proceed.

London

The plan and sub-division agreement of Clarke Side Road Industrial Park development are still being negotiated with the Municipality. It appears there are few matters left to resolve, with the result we should be able to install services in this land in mid-1978.

GENERAL

As referred to in the last Annual Report, the land development business is much more competitive than it was some years ago and we have had to make adjustments to our products and marketing methods, in order to maintain our position. Whilst we remain confident of the future of Ontario, we are continuing to look for suitable opportunities both in Western Canada and in the United States.

The degree of Federal, Provincial, Regional and Municipal intervention in the affairs of our industry has reached an incredible level in Canada and it is refreshing to see that some effort is being made by

Some of Monarch's Many Developments



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1. Heron Five, 1,395 square feet, \$59,100.
Heron's Hill Homes, Scarborough, Ontario.
2. Wildfield, 2,128 square feet, \$89,950.
Chartwell Homes, Scarborough, Ontario.
3. Bromely, 2,346 square feet, \$85,700.
Beechwood North, Waterloo, Ontario.
4. Heron One, 1,348 square feet, \$63,600.
Heron's Hill Homes, Scarborough, Ontario.
5. Caledon, 2,007 square feet, \$88,950.
Chartwell Homes, Scarborough, Ontario.
6. Jubilee Five, 1,345 square feet, \$56,700.
Jubilee Collection, London, Ontario.
7. Huntingwood Business Complex,
Scarborough, Ontario.



4

Government to try and make beneficial changes if only to prevent the continued increasing levels of taxation. We are convinced this will only come about by substantial staff reductions in the civil service which Government seems reluctant to do other than by attrition and retirement. The time has come, for a variety of reasons, when excessive government staffing levels should be reduced by the release of personnel just as a losing corporation in the private sector has to take the same unpleasant yet necessary action in order to remain solvent.

We are concerned that the level of inflation is not abating at a faster rate although it is refreshing to see the conclusion of the Anti-Inflation programme as it was no longer serving its purpose effectively. Hopefully, organised labour will not make excessive wage demands and it is pleasing to see that some of the construction trades have settled at below the maximum levels established by the Anti-Inflation Board. We all need a period of increased productivity to re-establish the growth pattern Canada achieved in the early part of the decade. To do this we need a continued level of moderate interest rates to provide funds for expansion and thus reduce unemployment.

Since the end of the year, Mr. Roy Wykes has resigned as Chairman of the Company and will remain as a Director. Our thanks are due to Mr. Wykes for his leadership and guidance over the years and we are pleased that he will be remaining with us in a consultative capacity for the time being.

Mr. Norman Notley resigned from the Board of Directors during the year and we thank him for his excellent services for over 25 years with the Taylor Woodrow and Monarch Groups. I am pleased to welcome Mr. John Saunders who has been a Vice-President of the Corporation, to the Board of Directors.

In accordance with our policy of active involvement in the affairs of our industry, Mr. Roy Wykes was elected Vice-President of the Urban Development Institute of Canada and I was elected President of the Toronto Home Builders' Association and to the Executive of The Housing and Urban Development Association of Canada.

On behalf of the Board of Directors I would like to thank all members of the Team for their unstinted efforts and loyal service during the year. It is also appropriate that we thank our Bankers, Professional Associates, Suppliers and Sub-Contractors for their excellent services to us again in the year under review.


President

Toronto, Ontario
March 1978.

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Monarch Investments Limited

Consolidated Balance Sheet

December 31, 1977
with comparative figures for 1976

Assets	1977	1976
Cash and short-term deposits	\$ 2,076,000	\$ 1,601,000
Accounts receivable	519,000	521,000
Mortgages receivable (note 2)	528,000	843,000
Inventory of land, development costs and construction in progress (note 3)	44,329,000	41,923,000
Investment properties:		
Buildings and equipment, at cost	25,179,000	23,911,000
Less accumulated depreciation	5,519,000	5,167,000
	19,660,000	18,744,000
Land, at cost	2,154,000	2,069,000
	21,814,000	20,813,000
Other assets	53,000	410,000
	\$69,319,000	\$66,111,000

On behalf of the board:

C. J. PARSONS, Director

J. S. FARQUHARSON, Director

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	1977	1976
Bank indebtedness partially secured by assignment of amounts receivable	\$ 3,661,000	\$ 2,262,000
Accounts payable and accrued liabilities	4,403,000	3,821,000
Mortgage advances on construction	781,000	1,143,000
Income taxes payable	427,000	300,000
Long-term debt:		
Mortgages payable (note 4)	26,704,000	27,751,000
Other (note 5)	9,596,000	9,809,000
	36,300,000	37,560,000
Deferred income taxes	1,577,000	1,049,000
Minority interest	709,000	663,000
Shareholders' equity:		
Capital stock (note 6):		
Common shares without par value.		
Authorized 2,754,180 shares; issued 2,121,230 shares	3,821,000	3,821,000
General reserve	2,000,000	2,000,000
Retained earnings	15,640,000	13,492,000
	21,461,000	19,313,000
Contingent liabilities (note 7)		
	\$69,319,000	\$66,111,000

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Monarch Investments Limited as at December 31, 1977 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined

the financial statements of the partially-owned subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 15, 1978

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Monarch Investments Limited

Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1977
with comparative figures for 1976

	1977	1976
Gross operating revenue:		
Land development and construction	\$ 21,247,000	\$16,083,000
Investment properties	6,149,000	5,885,000
Interest and sundry revenue	193,000	198,000
	27,589,000	22,166,000
Expenses:		
Cost of land and houses	16,006,000	11,165,000
Property operating expenses	2,639,000	2,434,000
Depreciation	460,000	435,000
Interest (note 9)	1,678,000	1,701,000
General and administrative expenses	2,095,000	1,827,000
	22,878,000	17,562,000
Earnings before income taxes and minority interest	4,711,000	4,604,000
Income taxes	2,262,000	2,027,000
Earnings before minority interest	2,449,000	2,577,000
Minority interest in earnings of a subsidiary	46,000	76,000
Net earnings for the year	2,403,000	2,501,000
Retained earnings at beginning of year	13,492,000	11,203,000
	15,895,000	13,704,000
Dividends paid	255,000	212,000
Retained earnings at end of year	\$15,640,000	\$13,492,000
Earnings per share calculated on weighted average number of shares outstanding (note 6):		
Basic	\$ 1.13	\$ 1.18
Fully diluted	\$ 1.09	\$ 1.13

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1977
with comparative figures for 1976

	1977	1976
Cash provided:		
Funds from operations:		
Net earnings	\$ 2,403,000	\$ 2,501,000
Add (deduct) items not affecting funds:		
Depreciation	460,000	435,000
Deferred income taxes	528,000	183,000
Minority interest in earnings of subsidiary	46,000	76,000
Gain on disposal of investment properties	—	(54,000)
Funds provided from operations	3,437,000	3,141,000
Decrease in construction in progress	155,000	—
Collection of mortgages receivable	608,000	80,000
Long-term borrowings	270,000	3,642,000
Proceeds on sale of investment properties	—	91,000
Land and development costs realized through sales	2,718,000	2,702,000
Increase in income taxes payable	127,000	—
Increase in accounts payable	582,000	—
Net change in other assets and liabilities	359,000	53,000
Total cash provided	8,256,000	9,709,000
Cash used:		
Sales financed by mortgages	293,000	100,000
Repayments of long-term debt	1,530,000	1,518,000
Expenditures on investment properties	1,461,000	183,000
Investment in land held for and under development	5,279,000	4,330,000
Increase in construction in progress	—	1,407,000
Decrease in mortgage advances on construction in progress	362,000	1,097,000
Decrease in accounts payable	—	1,462,000
Decrease in income taxes payable	—	1,742,000
Dividends paid	255,000	212,000
Total cash used	9,180,000	12,051,000
Decrease in cash	\$ 924,000	\$ 2,342,000
Represented by:		
Cash less bank indebtedness:		
Beginning of year	\$ (661,000)	\$ 1,681,000
End of year	(1,585,000)	(661,000)
	\$ (924,000)	\$ (2,342,000)
Funds provided from operations — per share, calculated on weighted average number of shares outstanding (note 6)	\$ 1.62	\$ 1.48

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1977

1. Accounting Policies:

The accounting policies of the company conform with accounting principles generally accepted in Canada. Details of significant accounting policies follow:

(a) The accounts of all the company's subsidiaries have been included and are as follows: Monarch Construction Limited, Montrow Realty Limited (both wholly-owned) and Monarch Property Developments Limited (partially-owned). All material intercompany balances and transactions have been eliminated upon consolidation. The accounts of a joint venture for land development have been consolidated in the financial statements on a proportionate line by line basis.

(b) The companies recognize income on housing unit sales when title passes to the purchaser.

(c) Land, development costs and construction in progress are carried at the lower of cost and estimated realizable value. The companies add to the original cost of undeveloped land carrying charges including realty taxes, professional fees and mortgage interest. Carrying costs are reduced by rentals received on undeveloped land.

(d) Interest, other than that relating to development land, is charged to current operations.

(e) Investment properties are depreciated principally by the sinking fund method using a 5% rate by which the cost of the properties will be amortized over the estimated useful life of 40 years in amounts increasing year by year. Properties carried at an aggregate net book value of approximately \$4,850,000 are depreciated using the straight-line method and at December 31, 1977 have remaining estimated useful lives averaging 18 years.

2. Mortgages Receivable:

Mortgages receivable bear interest at rates ranging from 6% to 13% with a weighted average rate of 11% and are repayable in 1978 — \$170,000; 1979 — \$40,000; 1980 — \$155,000; 1981 — \$57,000; 1982 and later \$106,000.

3. Inventory:

Land, development costs and construction in progress comprise the following:

	1977	1976
	(000 omitted)	
Undeveloped land	\$33,557	\$30,613
Land under development, including development costs	5,902	6,285
Construction in progress	4,870	5,025
	<u>\$44,329</u>	<u>\$41,923</u>

4. Mortgages Payable:

Mortgages payable bear interest at rates ranging from 4% to 11¾% with a weighted average rate of 8¼% and are repayable as follows:

	Secured by		
	Investment properties	Land held for development	Total
	(000 omitted)		
1978	\$ 231	\$ 2,143	\$ 2,374
1979	290	2,872	3,162
1980	268	4,378	4,646
1981	437	604	1,041
1982	446	1,947	2,393
1983 and later	7,667	5,421	13,088
	<u>\$ 9,339</u>	<u>\$17,365</u>	<u>\$26,704</u>

5. Other Long-Term Debt:

	1977	1976
	(000 omitted)	
Of the company:		
First Mortgage Bonds — 6¾% due \$52,000 annually with balance payable October 1, 1979	\$ 124	\$ 176
Sinking Fund Debentures, Series A — 8% secured on shares of subsidiaries and by a floating charge on all other assets of company; sinking fund payments of \$125,000 annually required 1978 to 1992 with balance due February 1, 1993.	2,375	2,389

Of subsidiaries:

First Mortgage Bonds — repayable in equal monthly instalments combining principal and interest to 1998:

Interest at 7%	4,726	4,836
Interest at 8%	1,771	1,808

Advance by an affiliated company — 6%. No specific terms of repayment except that the creditor has advised the company that repayment of these advances will not be required prior to

January 1, 1979	600	600
	<u>\$9,596</u>	<u>\$9,809</u>

The amount shown above for Sinking Fund Debentures Series A, at December 31, 1977, is net of \$125,000 (1976 — \$111,000) principal amount of such debentures repurchased and available for application against future sinking fund requirements.

The aggregate scheduled repayments required with respect to the above long term debt amount to \$201,000 in 1978; \$357,000 in 1979; \$298,000 in 1980; \$310,000 in 1981; \$324,000 in 1982; \$7,506,000 in 1983 and thereafter.

6. Shares Reserved for Stock Options and Warrants:

(a) At December 31, 1977 options covering 23,200 common shares are outstanding at \$6.48 per share exercisable to 1980.

(b) At December 31, 1977 purchase warrants for 124,600 common shares are outstanding at \$9.00 per share exercisable on or before February 1, 1978.

Subsequent to December 31, 1977, options for 4,000 shares and warrants for 105,200 shares were exercised at the indicated prices increasing the outstanding capital to 2,230,430 shares and the amount paid in to \$4,794,000.

7. Contingent Liabilities:

The company and certain subsidiaries are contingently liable:

(a) in respect of first mortgages assumed by purchasers of properties sold, and

(b) in respect of joint venture obligations (almost entirely mortgages on land for development) approximating \$1,321,000.

8. Litigation:

An action has been commenced against a subsidiary in which the plaintiff claims approximately \$500,000 for an alleged breach of contract. The subsidiary's position is that there was no breach of contract and, on the advice of legal counsel, the action is being vigorously defended.

9. Interest Expense:

	1977	1976
	(000 omitted)	
On long-term debt	\$3,024	\$3,102
On other debt	100	102
	<u>3,124</u>	<u>3,204</u>
Charged to land held for development	1,446	1,503
	<u>\$1,678</u>	<u>\$1,701</u>

10. Supplementary Information:

The aggregate direct remuneration paid in 1977 to directors and senior officers of the company, as defined by The Business Corporations Act (Ontario), was \$322,000 (1976 — \$313,000).

11. Anti-Inflation Controls:

The companies are subject to the controls on prices, profit margins, compensation, and dividends to shareholders under the Federal Government's Anti-Inflation Program. Rental income of real property is not subject to these controls, however, the companies' residential properties are subject to the Ontario Residential Premises Rent Review Act which imposes restraints on certain rent increases. The companies believe that they have complied with both of these programs.

Monarch's Team



Group symbol cast in bronze



Olive Wayne, Receptionist



L-R: Haydon Matthews, Land Development Mgr.,
Colin Parsons, President, James Moir, Assistant Area
Mgr., Roy Wykes, Director, Don Wilson, Treasurer,
Chris Mullin, Marketing Mgr.



Marjory Reid, Supervisor Machine Accounting



Don Drewell, Designer



Essop Docrat, Parking Attendant

Directors and Officers

C. J. Parsons, C.A.*
President

A. K. Leitch, D.F.C.*
Vice-President and Secretary

J. O. Saunders*
Vice-President

G. E. W. Winship*
Vice-President

R. E. Aldred, F.I.Q.S., F.I.O.B.
Deputy Chairman, Taylor Woodrow Limited

G. Drummond Birks
*President,
Henry Birks & Sons Limited*

J. S. Farquharson, Q.C.
Partner, McMillan, Binch, Solicitors

G. E. Jackson
*Senior Vice-President,
Reed- Shaw, Stenhouse Limited*

D. F. Johnstone
*Vice-President, Property Investments
The Standard Life Assurance Company*

T. Ralph

Sir Frank Taylor, D.Sc. (Hon), F.I.O.B.
*Founder and Managing Director
Taylor Woodrow Limited*

R. A. Wykes

D. R. Wilson, C.A.
Treasurer

Solicitors

McMillan, Binch

Auditors

Peat, Marwick, Mitchell & Co.

Coopers and Lybrand

Bankers

The Toronto-Dominion Bank

Bank of Montreal

Transfer Agents

Canada Permanent Trust Company

Debenture Trustee

Royal Trust Company

Principal Operating Subsidiaries:

Monarch Construction Limited

Monarch Property Developments Limited

Montrow Realty Limited

***A Member of the Worldwide
Taylor Woodrow Group
of Companies***

